Authors
Erica Field
Duke University

Rebecca Thornton
Professor of Economics

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SOCIAL SECURITY HEALTH INSURANCE FOR THE INFORMAL SECTOR IN NICARAGUA: A RANDOMIZED EVALUATION

REBECCA L. THORNTON[a,*], LAUREL E. HATT[b], ERICA M. FIELD[c], MURSALEENA ISLAM[b], FREDDY SOLÍS DIAZ[d] and MARTHA AZUCENA GONZALEZ[d]

[a]*University of Michigan, Economics, Ann Arbor, MI, USA*
[b]*PSI-One Project, Abt Associates Inc., Washington, DC, USA*
[c]*Harvard University, Economics, Cambridge, MA, USA*
[d]*ALS A Consultores, Managua, Nicaragua*

SUMMARY

This article presents the results from an experimental evaluation of a voluntary health insurance program for informal sector workers in Nicaragua. Costs of the premiums as well as enrollment location were randomly allocated. Overall, take-up of the program was low, with only 20% enrollment. Program costs and streamlined bureaucratic procedures were important determinants of enrollment. Participation of local microfinance institutions had a slight negative effect on enrollment. One year later, those who received insurance substituted toward services at covered facilities and total out-of-pocket expenditures fell. However, total expenditures fell by less than the insurance premiums. We find no evidence of an increase in health-care utilization among the newly insured. We also find very low retention rates after the expiration of the subsidy, with less than 10% of enrollees still enrolled after one year. To shed light on the findings from the experimental results, we present qualitative evidence of institutional and contextual factors that limited the success of this program. Copyright © 2010 John Wiley & Sons, Ltd.

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KEY WORDS: health insurance; randomized experiment; Nicaragua; microfinance institutions

1. INTRODUCTION

In recent years, interest has grown in providing health insurance programs to poor and vulnerable populations throughout the world as a means of increasing access to priority health services and protecting families from catastrophic health-care costs.[1] Implementation of such programs, however, may be difficult. Research suggests that take-up of voluntary health insurance among the poor is typically low (Behrman and Knowles, 1999; Jowett, 2003; Morduch, 1999; Chankova *et al.*, 2008; Gine *et al.*, 2007; Alderman and Paxson, 1994; Fafchamps, 1999; Pauly *et al.*, 2008). Moreover, collecting payments from this population, who are generally employed in the informal sector, is challenging (Abel-Smith, 1992). Finally, if the program is not carefully designed and marketed, insurance schemes targeted to the poor may be particularly prone to adverse selection, disproportionately attracting those who are relatively sick.

*Correspondence to: Department of Economics, 611 Tappan St., Ann Arbor, MI 48109, USA. E-mail: rebeccalt@umich.edu
[1]There are a growing number of health insurance programs and academic evaluations of these programs in developing countries. See, for example, Abel-Smith (1992); Barnes (2009); Dow and Schmeer (2003); Duflo *et al.* (2006); Galárraga *et al.* (2006); Gertler and Gruber (2002); Gertler and Solon (2002); GTZ *et al.* (2005); King *et al.* (2009); Kremer *et al.* (2006); Miller *et al.* (2009); Panopoulou and Vilks (2001); Pauly *et al.* (2006); Pauly *et al.* (2008); Wagstaff (2007). See also Dercon *et al.* (2008).

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